Seven strategies for Canadianization

by Michael Bergman

The do-nothing method

The usual attitude of Canadian-owned distributors towards pure competition is that they cannot compete. Reasons advanced for this are an amalgam of their weaknesses and foreign-owned distributors’ strengths. Canadian-owned distributors claim they do not have the financial resources nor the access to sufficient product in order to compete effectively. They are denied these by the financial strength and intimate ties of foreign-owned distributors to the principally American film production, distribution and exhibition system. Assuming this to be the case, the do-nothing approach necessarily means Canadian distributors will remain permanently on the periphery of the distribution system. Canadian filmmakers will only be able to advance themselves by completely joining the American film distribution system. This they would do by making films which satisfy and are competitive within the context of the American system. As part of this process, increasingly closer and intimate ties with American production companies will become necessary both as a source of financing and a means of co-opting the American system. These links give Canadian producers the advantage of their American counterpart’s clout in access to distribution, marketing or exhibition. In short, in this scenario, the Canadian film industry will become an adjunct of the American one, finding its space within the larger American system and operating within its confines. Producers who do find a place within this system will meet with some measure of commercial success. But nothing other than this will be achieved. What’s Canadian in the cultural sense will be increasingly diminished as filmmakers conform to the needs of the larger system. Film distribution will be ‘Canadianized’ to the extent that Canadian producers, having found a niche in the American system, will have more of their films distributed, exhibited and marketed in Canada through the already American-controlled distribution network.

New tactics

In contradistinction to that scenario, Canadians may adopt new tactics to develop a native distribution system through private initiative. But this means Canadian distributors competing with the foreign ones. It means a new effort on Canadians’ behalf since evidently their success in direct competi-
The Canadian film industry is limited primarily to foreign-owned distribution companies and, in some cases, Canadian exhibition outlets. This results in Canadian distribution policy being dominated by controlling direct or undue influence between filmmakers of whatever nationality, distributors and exhibitors. In this scenario, distributors would have to compete with each other for a limited audience from the other sectors of the industry so that no distributor has any undue influence. Foreign ownership is not tampered with, rather, equal competition is accepted.

This fragmentation of the film industry into several distinct spheres is the antithesis of the close cooperation between the foreign distributors foreseen earlier. Canadian filmmakers and distributors would not be able to ally themselves into mutually financing units. At the same time, foreign-owned distributors would probably perform some corporate robotics to adequately separate themselves from their film-producing owners. The fruit of this equalization of competition would probably be a distribution system less foreign in appearance but Canadianized only to the extent that Canadian distributors demonstrate the need for it.

It takes money to compete. Spending your way into competition is one way to aggressively compete. Money seems the only commodity in short supply to the Canadian feature-film industry, an affliction from which Canadian distributors are not immune. Since they are on the periphery of the distribution scene, their earnings which should normally finance their acquisitions are diminished and this works as a vicious circle. Government assistance is one way to crack undercapitalization. This can take the form of tax avoidance schemes such as the capital cost allowance. Investors investing in Canadian distribution companies would be able to obtain tax-shelter advantages as well as shares in the distribution company or other kinds of treasury securities. With this money the distributors could capitalize themselves and have greater wherewithal to compete in the marketplace. Government assistance would necessarily entail a commitment by the recipients to Canadian-made films. Financial assistance in the form of tax credits may be useful as long as it is just that — a means to a demonstrable competitive end.

The role of government

The government intervention discussed so far has been glancing or indirect at best. Most advocates of Canadianization, however, insist on an active role for their government to bring about instant change. In this approach, the only issue is what the instant change will be: total government ownership and the total elimination of foreign distributors.

While Canadian content rules may affect the distribution of a film, film distribution per se is presently unregulated. Leaving aside the problem of federal versus provincial jurisdiction, government-imposed regulation could set rules for the manner and methods of film distribution. This would have the effect of determining that distribution activity for all distributors, whether foreign or Canadian, is made in Canada. These rules may include mandatory distribution of minimum run lengths of Canadian films, the assigning of distribution territories to different companies, and the fixing of the relationship between distributors and exhibitors. Regulation is the cornerstone of a government where economic or competitive elements are not necessarily the only factors in play. The object of regulation would be to give Canadian distributors a distinct advantage. Lack of any of these is a death sentence of a competitive system whose north-south tendencies are reduced.

By far the most commonly presented form of Canadianization is some kind of 'nationalization'. This heavy-handed device assumes that no other combination of laws or incentives will work. It would set up a competitive distribution system where Canadians at least have significant input. The expropriation approach is invoked in the national interest. It is the near-instant enforced transfer of holdings in property, business shares or assets of foreign distribution companies to Canadians. It is also the only model for Canadianization to have ever been attempted.

The model used in Quebec is the government of Quebec who in its Cinema Act, popularly known as Bill 109, decreed a mandatory licensing process for film distributors (distributors who would only be licensed if they were a distribution controlled). The story of the Quebec government's attempt to implement this law is now well-known. Suffice it to say that the failure of a massive American lobby, the provisions of the Cinema Act which deal with this area have yet to be implemented.

The problem of effecting some form of expropriation is part of the dilemma of the results. Forced share or asset transfers to Canadians assumes that there is a Canadian entity which sufficient cash to purchase them at a fair price. In the case of pay TV, for instance, if were to get involved it may be assumed that there will be few buyers from within the Canadian film industry. The Canadianized distribution entities would then shrink to a small group, if not one or two Canadian companies. These fortunate purchasers would inherit the large market share of the former foreign-owned participants, and current Canadian independent distributors would not be any further ahead.

Instant solutions

The history of what may be termed the 'instant solution' approach in the Canadian film industry has not been a happy one. The instant film industry of the tax-shelter heyday and the instruments of pay TV are familiar examples. The primary problem is the absence of any coherent business and market strategy to take advantage of the benefits conferred by these processes. It is wholly unsatisfactory for the government to deliver up to some prospec- tive Canadian purchaser a complete distribution system unless that purchaser can demonstrate a strategy commensurate with proper business development and the economic and cultural objectives for which the expropriation took place in the first instance. Such ultimate government intervention into the distribution system would be the government's entire assumption of it. Given that the Canadian film industry is presently flourishing, it is through such agencies as Telefilm Canada, the government could simplify the distribution system by making a Crown Corporation the sole distributor of all domestic films, the assigning of distribution territories to different companies, and the fixing of the relationship between distributors and exhibitors. Regulation is the cornerstone of government where economic or competitive elements are not necessarily the only factors in play. The object of regulation would be to give Canadian distributors a distinct advantage. The lack of any of these is a death sentence of a competitive system whose north-south tendencies are reduced.

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The above approaches have some merit. They each have a place. But they do not address the chief problem of the moment let us make the assumption that it will intercede. Here, there are many possibilities depending on the object to be achieved.

The 'instant solution' is the only approach that makes the government a kind of spectator cheering from the sidelines, though not necessarily for the Canadians but rather for the best competitor. At present competition in the Canadian film distribution industry is limited primarily to foreign-owned distribution companies and, in some cases, Canadian exhibition outlets. This results in Canadian distribution policy being dominated by controlling direct or undue influence between filmmakers of whatever nationality, distributors and exhibitors. In this scenario, distributors would have to compete with each other for a limited audience from the other sectors of the industry so that no distributor has any undue influence. Foreign ownership is not tampered with, rather, equal competition is accepted.

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rationalize this process by subsuming everything under one super-Crown Corporation which both subsidizes the private film sector and distributes all films as well. One can see this corporation as self-financing, making money from the distribution of successful Canadian, American and foreign films, and using these proceeds to promote the development of Canadian film and cultural objectives. Such a super-paternalistic entity would cut across all the Canadian content or Canadianization problems. It would probably leave filmmakers as just that, filmmakers and not entertainment businessmen. It would make filmmakers in the private-sector manufacturers of feature films, but nothing else. Nevertheless, this is a concept which may be attractive to some, given the existing mix of a public film sector and a heavily subsidized private one.

The paradox of Canadianization

The approaches to Canadianization described above are certainly not complete. They span a range of thought-provoking possibilities in a cursory form. Nevertheless, they cover the field sufficiently as to enable certain salient features to be noted. The notion of Canadianizing can have many different meanings and does not only include bringing everything under native control. A distribution system which regularly sells Canadian films can be said to be just as Canadianized as one which rarely sells Canadian films but is wholly Canadian-owned.

Canadianization can be seen in an economic context or a cultural one. It can be a means of financing Canadian filmmakers and encouraging competition, but it can also be a means of limiting or eliminating competition. It can be a means of disseminating Canadian culture, but are Canadian filmmakers creators of culture, expressive of culture or even conscious of culture? The range of economic and cultural possibilities and their effect on Canadian filmmaking are a selection of the possible results of Canadianization. They are not of themselves reasons to bring distribution under exclusive Canadian control.

The feature film industry is unique. Although the various entities within it may be competing with each other, they all share a common bond: they are selling entertainment. It is all the components of the film industry together that makes this work. American filmmakers are not simply competing with Canadian filmmakers as manufacturers of movies. The American strength lies in the competitive dominance of their entire system’s ability to sell American entertainment. The American film industry understands that it can sell and profit from its culture which has commercial value. The Canadian film industry in competition with the American is selling Canadian-made entertainment. The point is crucial: a distinct entertainment content can only be achieved when all components of the industry have an interest in pushing it. The presence of foreign distributors in Canada effectively shortcircuits the development of the Canadian feature-film industry as an entertainment form. Foreign distributors are able to accept individual Canadian films on which they can make a profit, but it is not in their interest to accept an entire entertainment system which competes with the system of their home base.

The use of the word entertainment is deliberate. Whether entertainment is necessarily culture can be debated. The world’s audiences want to see distinctive entertainment forms. Only when the entire Canadian film industry competes as a distinctive entertainment form will the industry succeed.

It is precisely here, in this concept of competing entertainment systems, that the Canadianization of the distribution system becomes mandatory. Only those who have a vested interest in promoting a particular entertainment system can make it work. If Canadian feature film is to gain a worldwide status, it must be aggressively promoted as an alternate entertainment experience. Movies are too bound up with the values of society to be effectively promoted as representative of an ideal by persons who are not part of that society. It is not simply the success of an individual Canadian film that will make the industry work, it is when audiences seek out Canadian entertainment that the industry will take off.

The why of Canadianization affects the how. Canadianization of the distribution system is part of the process of achieving the industry’s economic and national objectives. Therefore, there is no use in promoting a private film sector if it cannot reach commercial viability by commercial means. Summary impositions to force foreigners out are self-defeating. They create an atmosphere of dependency on government to resolve every difficulty. The Canadianization of distribution will be a joint private-government effort because there are too many marketplace constraints on Canadians resulting from foreign dominance. The aim of government is to assure that distribution policy and distribution competition are made in Canada to the advantage of the Canadian film industry.

The role of the Canadian private-film sector is to take advantage of this new equality of opportunity to assume a dominant position. Government intervention is justified to the extent that it opens up competition between foreign distributors and Canadians. It is not axiomatic that competition between Canadian distributors should be similarly subject to extraordinary measures. In fact, the link-up between Canadian producers and distributors should be encouraged and expected if self-financing is to have any chance.

Government participation should consist of rationalizing film assistance funding with an eye to distributors and imposing regulatory controls on distribution methods. After that it is up to the entertainment businessmen of the private film sector to show their stuff.